

Module 12: Refund, Amount Due and Record Keeping

Tax Tutorial

In this tax tutorial, you will learn about [refunds](#), [amounts due](#), and record keeping.

Taxpayers receive refunds when their total tax payments are greater than the total tax.

- Refunds can be received by check in the mail or by direct deposit.

Taxpayers must pay an amount due when the total tax is greater than their total tax payments.

- Payments can be made by check, money order, credit card, or direct debit (electronic filers only).

It is important for taxpayers to keep good records in order to prepare their tax returns and support items on their tax returns.

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Previous Tax Tutorials Covered:	
Income	wages, salaries, tips, interest
Standard Deduction	based on filing status
Exemptions	personal and dependency
Credits	child and dependent care expenses, Earned Income Credit
Federal Income Tax Withholding	based on Form W-4

This information is

- reported on the individual income tax return.
- used to determine the tax.
- used to determine the refund or amount due.

The government pays a taxpayer a refund when the taxpayer's total tax payments are greater than the total tax.

- Taxpayers receive refunds from the government.

Taxpayers must pay an amount due when the total tax is greater than their total tax payments.

- Taxpayers pay the amount due to the government.

Total tax payments include

- federal income tax withheld.
- earned income credit

In addition, if filing Form 1040,

- estimated tax payments, if any.

- additional child tax credit, if any.

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Refunds

When total tax payments are greater than the total tax, the taxpayer can

- receive the refund by direct deposit to an account at a financial institution.
- receive the refund by check in the mail.
- apply the refund to the estimated tax for the following year.

Direct Deposit Benefits	
Speed	receive the refund fast
Security	no check to get lost
Convenience	no need to go to the financial institution to deposit a check
Cost	less than issuing a check

Angela had \$2000 of gross wages, with \$124 Federal income tax withheld, \$29 medicare tax withheld, and \$124 Social Security Tax withheld resulting in a net amount after taxes of \$1723. Her employer also withheld \$50 which went into her retirement fund account. Making her take home \$1673.

When she files her return she reports \$2000 in wages and \$124 Federal income tax withheld on her return. Since the tax is "0" and she does not qualify for the Earned Income Credit, she will receive a refund of \$124.

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Direct Deposit Guidelines

Ensure that the routing number has nine digits.

When in doubt, check with the financial institution for the routing number.

Ensure that the account number is correct.

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Direct Deposit Guidelines

Review the payments and refund sections of the tax return for Paul and Su-Mai Wong.

- Their total tax is \$321.
- The federal income tax withheld during the year was \$600.
- The earned income credit was \$1,575.
- Total payments were \$2,175.
- The refund is \$1,854—part of the withheld tax plus all of the earned income credit.

The refund will be deposited directly into the Wong checking account.

Other Taxes	58	Self-employment tax. Attach Schedule SE	58		
	59	Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 6919	59		
	60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	60		
	61	Advance earned income credit payments from Form(s) W-2, box 9	61		
	62	Household employment taxes. Attach Schedule H	62		
	63	Add lines 57 through 62. This is your total tax	63	321	00
Payments	64	Federal income tax withheld from Forms W-2 and 1099	64	600	00
	65	2007 estimated tax payments and amount applied from 2006 return	65		
	66a	Earned income credit (EIC)	66a	1,575	00
	66b	Nontaxable combat pay election ▶ 66b	66b		
	67	Excess social security and tier 1 RRTA tax withheld (see page 60)	67		
	68	Additional child tax credit. Attach Form 8812	68		
	69	Amount paid with request for extension to file (see page 60)	69		
	70	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4138 c <input type="checkbox"/> Form 8885	70		
	71	Refundable credit for prior year minimum tax from Form 8801, line 27	71		
	72	Add lines 64, 65, 66a, and 67 through 71. These are your total payments	72	2,175	00
Refund	73	If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid	73	1,854	00
Direct deposit?	74a	Amount of line 73 you want refunded to you . If Form 8888 is attached, check here ▶ <input type="checkbox"/>	74a	1,854	00
See page 61 and fill in 74b, 74c, and 74d, or Form 8888.	b	Routing number 2 5 0 2 5 0 0 2 5 ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
	d	Account number 2 0 2 0 2 0 5 6			
	75	Amount of line 73 you want applied to your 2006 estimated tax ▶	75		
Amount You Owe	76	Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 62 ▶	76		
	77	Estimated tax penalty (see page 62)	77		

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Amount Due

When the total tax is greater than the total tax payments, the taxpayer can:

Pay by check or money order payable to the United States Treasury

- include name, address, Social Security number, tax form, tax year
- submit payment with Form 1040-V

Pay by credit card

- contact service provider via telephone or Internet
- pay convenience fee

Pay by direct debit from an account at a financial institution

- (only available for returns that are electronically filed)

Taxpayers who cannot make payment in full need to contact the IRS to discuss payment options.

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Review the tax return for Rafael and Tina Palma.

- Their total tax is \$5,687.
- The federal income tax withheld during the year was \$5,221.
- The amount due is \$466.

The Palmas will file their return electronically and pay the amount due by direct debit from their savings account.

Other Taxes	58	Self-employment tax. Attach Schedule SE	58		
	59	Unreported social security and Medicare tax from: a <input type="checkbox"/> Form 4137 b <input type="checkbox"/> Form 6919	59		
	60	Additional tax on IRAs, other qualified retirement plans, etc. Attach Form 5329 if required	60		
	61	Advance earned income credit payments from Form(s) W-2, box 9	61		
	62	Household employment taxes. Attach Schedule H	62		
	63	Add lines 57 through 62. This is your total tax	63	5,687	00
Payments	64	Federal income tax withheld from Forms W-2 and 1099	64	5,221	00
	65	2007 estimated tax payments and amount applied from 2006 return	65		
	66a	Earned income credit (EIC)	66a		
	b	Nontaxable combat pay election ▶ 66b	66b		
	67	Excess social security and tier 1 RRTA tax withheld (see page 60)	67		
	68	Additional child tax credit. Attach Form 8812	68		
	69	Amount paid with request for extension to file (see page 60)	69		
	70	Payments from: a <input type="checkbox"/> Form 2439 b <input type="checkbox"/> Form 4136 c <input type="checkbox"/> Form 8885	70		
	71	Refundable credit for prior year minimum tax from Form 8801, line 27	71		
	72	Add lines 64, 65, 66a, and 67 through 71. These are your total payments	72	5,221	00
Refund	73	If line 72 is more than line 63, subtract line 63 from line 72. This is the amount you overpaid	73		
	74a	Amount of line 73 you want refunded to you . If Form 6588 is attached, check here ▶ <input type="checkbox"/>	74a		
	b	Routing number <input type="text"/> ▶ c Type: <input type="checkbox"/> Checking <input type="checkbox"/> Savings			
	d	Account number <input type="text"/>			
Amount You Owe	75	Amount of line 73 you want applied to your 2006 estimated tax ▶ 75	75		
	76	Amount you owe. Subtract line 72 from line 63. For details on how to pay, see page 62 ▶	76	466	00
	77	Estimated tax penalty (see page 62)	77		

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Quick Check!

Answer the following multiple-choice questions about refunds, amounts due, and record keeping by clicking on the correct answers. To assess your answers, click the *Check My Answers* button at the bottom of the page.

- 1) Only taxpayers who file electronically can pay an amount due by:
 - A. check. No answer given: the correct answer is D. All taxpayers can pay an amount due by check, credit card, or money order.
 - B. credit card.
 - C. money order.
 - D. Electronic funds withdrawal (direct debit).

- 2) Which is **not** a benefit of a direct deposit of a refund?
 - A. There is a convenience fee for having a refund deposited directly into an account at a financial institution. No answer given: the correct answer is A. Refunds made by direct deposit are received faster than refunds by mail. They are also more convenient, save taxpayer time by eliminating trips to financial institutions, and cost less than issuing checks.
 - B. Refunds that are directly deposited to an account in a financial institution are received faster than by mail.
 - C. Refunds that are directly deposited to an account in a financial institution save taxpayer time by eliminating trips to financial institutions.
 - D. Refunds made by direct deposit cost less than issuing checks.

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Record Keeping

It is important that taxpayers keep good records to

- identify sources of income.
- track expenses.
- prepare tax returns quickly and accurately.
- support items on the tax return.

Typical records include:

- checkbooks, check registers, monthly statements, and Forms 1099-INT
- receipts, invoices, and sales slips
- pay stubs and Form W-2

Some taxpayers use computerized systems to track income and expenses.

- These taxpayers also need to keep original documents, such as sales slips and receipts.

Taxpayers should print and keep copies of the tax returns they send to the IRS.

Taxpayers need to keep tax-related documents for at least three years from the date the return was filed.

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Lesson Summary

Taxpayers receive refunds when their total tax payments are greater than the total tax.

- Refunds can be in the form of a check or direct deposit.

Taxpayers must pay an amount due when the total tax is greater than their total tax payments.

- Payments can be made by check, money order, credit card, or direct debit (electronic filers only).

It is important for taxpayers to keep good records in order to prepare their tax returns and support items on their tax returns.

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Module 12 - Glossary

Glossary

amount due —money that taxpayers must pay to the government when the total tax is greater than their total tax payments.

refund —money owed to taxpayers when their total tax payments are greater than the total tax. Refunds are received from the government.

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